



THE NEW SPIRIT OF AFRICA

A STAR ALLIANCE MEMBER 

# **Session 3: Funding and Financing of Air Cargo Infrastructure and Mobile Equipment**

**June 27, 2017**

## Introduction on Infrastructure

- Closing the **infrastructure deficit** is vital for Africa's economic prosperity and sustainable development.
- Improved infrastructure;
  - would **facilitate** domestic and international trade,
  - **Reduce** the cost of doing business and
  - **Enhance** Africa's competitiveness both as an exporter and a destination for investors.

## Introduction continued...

- Economists estimate that, overall, deficient infrastructure costs Africa 2% in reduced output each year ([African Development Bank](#)).
- The Program for Infrastructure Development in Africa (PIDA) will cost around \$360 billion between 2011 and 2040, with significant investments required by 2020.
- Such costs are beyond the financing capacities of governments or even donors.

## Ethiopian Airlines Experience...

- **Infrastructure:** is one of the **four pillars** of our strategic road map along with Systems (ICT), Human capital Development (HRD) & Fleet.
- **Financing:** Ethiopian financed its different projects (cargo warehouse, maintenance hangar, etc..) through partnership with different financial institutions.
- **Project management:** Ethiopian has its own dedicated PM Office matured over years with skilled Sr. strategic project managers.

## Challenge

- 24 African airports will be saturated by 2020, and of the over 50 projects under the Program for Infrastructure Development in Africa (PIDA), only 3 projects are dedicated to civil aviation.

**Q 1.**

**How can States and private operators cooperate to develop “hard infrastructure” for air cargo?**

Q.2,

How can the **MoveAfrica Initiative** of the **New Partnership for Africa's Development (NEPAD)** benefit air cargo through the development of “soft infrastructure”?

These are:

- Cross-border transport (**laws/regulations**),
- Organizational systems (**technology**) and
- Resources (the **soft skill**) ?

**Q 3.**

**What are the benefits of the Cape Town Convention for the acquisition and leasing of new and used mobile equipment, including more modern, fuel-efficient aircraft?**



**Q 4.**

**How can unmanned aircraft systems (UAS) support air cargo development by reducing the need for costly aviation infrastructure?**

**Q 5.**

**How can African States and operators benefit from foreign economic cooperation platforms?**

## Hard Infrastructure

- Government direct investments & rent out
- **Public-Private Partnership (PPP) approach**
- **Build-Operate Transfer (BOT) approach**
  - For Private investors
  - Sates to state partnerships (China-Africa, India-Africa)

Q.2,

How can the **MoveAfrica Initiative** of the **New Partnership for Africa's Development (NEPAD)** benefit air cargo through the development of “soft infrastructure”?

These are:

- Cross-border transport (**laws/regulations**),
- Organizational systems (**technology**) and
- Resources (the **soft skill**) ?

## Move Africa Initiative...

- **Launched by NEPAD Agency**, in May 2016, an initiative that builds on, and supports current projects that are geared towards **enhancing intra-Africa trade**, through comprehensive **corridor development**.
  - **One-Stop Border Post project**:- Refers to the:
    - **Legal and institutional framework, facilities, and associated procedures that enable goods, people, and vehicles to stop in a single facility.**
  - **Boosting Intra-African Trade (BIAT)**
  - **Accelerating Industrial Development of Africa (AIDA)**
  - **Increases efficiency and drives costs down**

**Q 3.**

**What are the benefits of the Cape Town Convention for the acquisition and leasing of new and used mobile equipment, including more modern, fuel-efficient aircraft?**

## **Cape Town Convention (CTC)– Mobile Equipment.**

- **It is an international treaty intended to;**
  - standardize transactions involving movable property.
  - The treaty creates international standards for registration of contracts of:
    - Sale (including dedicated registration agencies),
    - Security interests (liens),
    - Leases and conditional sales contracts, and
    - Legal remedies for default in financing agreements including bankruptcy
- **Three protocols to the convention are specific to three types of movable equipment:**
  - Aircraft Equipment (aircraft and aircraft engines) (signed in 2001)
  - Railway rolling stock (signed in 2007) and
  - space assets (signed in 2012).

## **Cape Town Convention (CTC)– Mobile Equipment.**

- **The five core objectives of the Convention are:**
  - To facilitate the **acquisition and financing** of internationally mobile assets by creating **rights recognized** in all Contracting States;
  - To **insure creditors** recourse to basic default and insolvency
  - To establish an **electronic registry** of international interests
  - **To ensure that the specific needs of the aircraft industry are met and**
  - To give prospective creditors greater **degree of confidence** when, extending credit to borrowers.



**Q 4.**

**How can unmanned aircraft systems (UAS) support air cargo development by reducing the need for costly aviation infrastructure?**

## Unmanned Aircraft Systems

- Since the early 1990s, unmanned aircraft systems (UAS) have operated on a limited basis in the **National Airspace System (NAS)**.
- Until recently, UAS mainly supported **public operations**, such as military and border security operations.
- The list of potential uses is now rapidly expanding to encompass a broad range of other activities, including:
  - Aerial photography,      Surveying land and crops,
  - Communications & broadcast,      Monitoring forest fires
  - Environmental conditions and Protecting critical infrastructures.

## Unmanned Aircraft Systems

- UAS provide new ways for commercial enterprises through:
  - Increased operational efficiency
  - Decreased costs,
  - Save lives
  - **Operate at low cost without requiring infrastructure as it able to land in unpaved runways**
  - UAS is not only capable of undertaking roles of large manned cargo aircrafts but also taking over often difficult tasks from ground transport including hub to hub bulk deliveries by road and disaster relief in remote regions.

**Q 5.**

**How can African States and operators benefit from foreign economic cooperation platforms?**

# Forum on China-Africa Cooperation (FOCAC)...

- Encourage Chinese businesses and financial institutions to expand investment through various means, such as **Public-Private Partnership (PPP)** and **Build-Operate-Transfer (BOT)**, to support African countries and the African flagship projects.
  - China-Africa Railway Cooperation
  - Establishing China-Africa Civil Aviation school for civil aviation training including technology transfer
  - Infrastructure development in Africa

## India-Africa Forum Summit (IAFS)...

- Currently large proportion of Indian FDI is flowing into the infrastructure sector in Africa. This complements the initiatives of the African Development Bank such as;
  - *The New Deal on Energy for Africa* which we set up in 2016, to help achieve universal access to electricity within ten years;
  - *The Africa Renewable Energy Initiative*, which has already attracted USD 10 billion in investment commitments from G7 countries; and
  - *Africa50*, our **new infrastructure entity**, now capitalized by African countries at over USD 865Million.

## Wrap-up by Moderator...

No.	Areas	Key Priority for Action
1	Trade Liberalization	
2	Hard Infrastructures in air cargo	PPP & BOT
3	Soft Infrastructures in air cargo	NEPAD
4	Financing infrastructures	Using Foreign Economic Cooperation, PPP, BOT
5	Benefits of Cape Town Convention on mobile equipment	
6	Unmanned Aircraft systems (UAS)	



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*Thank You!*

